

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2008

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Edgewood-Colesburg Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b> <b>(Before September 2007 Election)</b>		
Randall Mescher	President	2007
James Lueken	Vice President	2007
Joan Kerns	Board Member	2009
Steve Schwietert	Board Member	2009
Scot Christiansen	Board Member	2008
<b>Board of Education</b> <b>(After September 2007 Election)</b>		
Randall Mescher	President	2010
James Lueken	Vice President	2010
Joan Kerns	Board Member	2009
Steve Schwietert	Board Member	2009
Scot Christiansen	Board Member	2008
<b>School Officials</b>		
Galen Reinsmoen	Superintendent	2008
Martha Romig	District Secretary and Business Manager	2008
Marc Casey	Attorney	2008

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Edgewood-Colesburg Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Edgewood-Colesburg Community School District, Edgewood, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Edgewood-Colesburg Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 17, 2009 on our consideration of the Edgewood-Colesburg Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 and 36 are not required parts of the basic financial statements, but are supplementary

information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Edgewood-Colesburg Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 17, 2009

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Edgewood-Colesburg Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$4,730,714 in fiscal 2007 to \$4,895,048 in fiscal 2008, while General Fund expenditures increased from \$4,761,170 in fiscal 2007 to \$4,791,998 in fiscal 2008. This resulted in an increase in the District's General Fund balance from \$624,802 in fiscal 2007 to \$727,852 in fiscal 2008.
- The increase in General Fund revenues was attributable to an increase in revenues received from federal and state sources in fiscal 2008. The increase in expenditures was due to an increase in the negotiated salaries and benefits.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Edgewood-Colesburg Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Edgewood-Colesburg Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Edgewood-Colesburg Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**

***Edgewood-Colesburg Community School District Annual Financial Report***

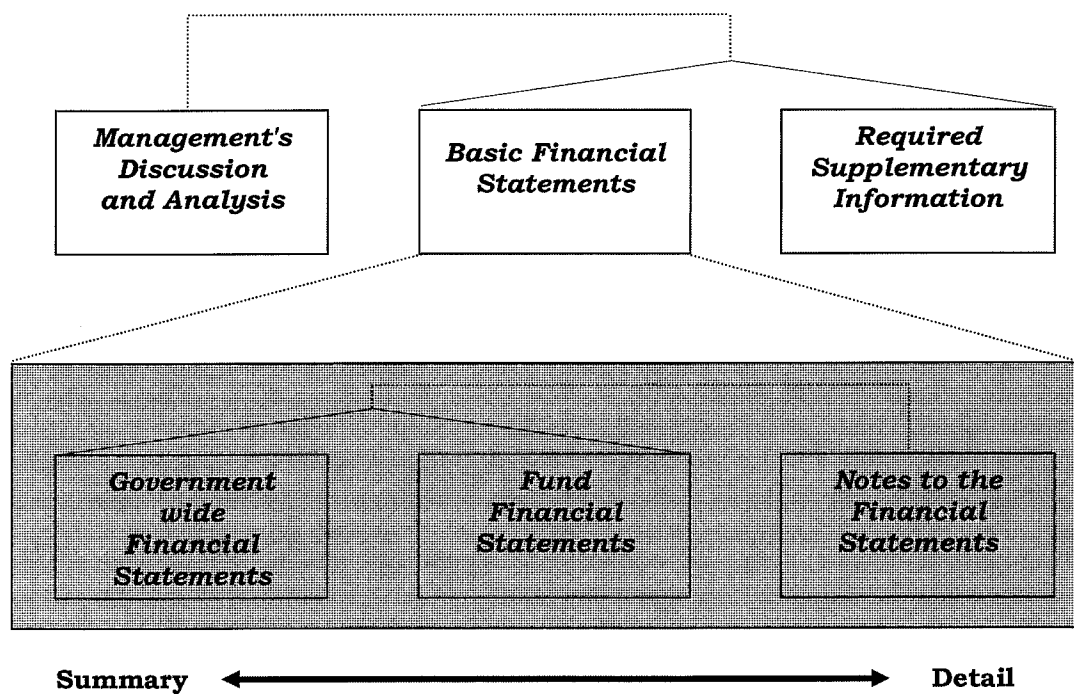


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.



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The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary fund:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust Fund.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 4,608,489	4,140,358	56,899	55,959	4,665,388	4,196,317	11.18%
Capital assets	5,167,889	5,124,786	21,178	25,905	5,189,067	5,150,691	0.75%
Total assets	9,776,378	9,265,144	78,077	81,864	9,854,455	9,347,008	5.43%
Long-term obligations	2,694,381	3,014,299	0	0	2,694,381	3,014,299	-10.61%
Other liabilities	3,528,223	3,129,491	428	0	3,528,651	3,129,491	12.75%
Total liabilities	6,222,604	6,143,790	428	0	6,223,032	6,143,790	1.29%
Net assets:							
Invested in capital assets, net of related debt	2,550,320	2,216,325	21,178	25,905	2,571,498	2,242,230	14.68%
Restricted	257,397	295,275	0	0	257,397	295,275	-12.83%
Unrestricted	746,057	609,754	56,471	55,959	802,528	665,713	20.55%
Total net assets	\$ 3,553,774	3,121,354	77,649	81,864	3,631,423	3,203,218	13.37%

The District's combined net assets increased by \$428,205 or 13.37% over the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$37,878 or 12.83% from the prior year.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- increased approximately \$136,815 or 20.55% over the prior year.

Figure A-4 shows the changes in net assets for the years ended June 30, 2008 compared to June 30, 2007.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-Type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 924,560	950,114	169,966	177,611	1,094,526	1,127,725	-2.94%
Operating grants and contributions and restricted interest	783,304	647,754	123,469	125,640	906,773	773,394	17.25%
Capital grants and contributions and restricted interest	2,850	0	0	0	2,850	0	100.00%
General revenues:							
Property tax	1,680,852	1,659,197	0	0	1,680,852	1,659,197	1.31%
Local option sales and service tax	286,047	296,553	0	0	286,047	296,553	-3.54%
Unrestricted state grants	1,996,316	1,945,259	0	0	1,996,316	1,945,259	2.62%
Other	152,782	145,498	402	345	153,184	145,843	5.03%
Transfers	0	(10,128)	0	0	0	(10,128)	100.00%
Total revenues	5,826,711	5,634,247	293,837	303,596	6,120,548	5,937,843	3.08%
Program expenses:							
Governmental activities:							
Instructional	3,241,914	3,312,243	0	0	3,241,914	3,312,243	-2.12%
Support services	1,715,010	1,588,883	46	0	1,715,056	1,588,883	7.94%
Non-instructional programs	0	0	298,006	257,972	298,006	257,972	15.52%
Other expenses	437,367	433,936	0	0	437,367	433,936	0.79%
Total expenses	5,394,291	5,335,062	298,052	257,972	5,692,343	5,593,034	1.78%
Change in net assets	432,420	299,185	(4,215)	45,624	428,205	344,809	24.19%
Net assets beginning of year	3,121,354	2,822,169	81,864	36,240	3,203,218	2,858,409	12.06%
Net assets end of year	\$ 3,553,774	3,121,354	77,649	81,864	3,631,423	3,203,218	13.37%

In fiscal 2008, property tax and unrestricted state grants account for 63.11% of the revenue from governmental activities while charges for services and operating grants and contributions account for 98.06% of the revenue from business type activities.

The District's total revenues were \$6,120,548 of which \$5,826,711 was for governmental activities and \$293,837 was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 3.08% in revenues and a 1.78% increase in expenses. The increase in expenses was related to the increase in instructional costs during the year.

### Governmental Activities

Revenues for governmental activities were \$5,826,711 and expenses were \$5,394,291.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 3,241,914	3,312,243	-2.12%	1,707,046	1,882,872	-9.34%
Support services	1,715,010	1,588,883	7.94%	1,712,160	1,588,883	7.76%
Other expenses	437,367	433,936	0.79%	264,371	265,439	-0.40%
Totals	<u>\$ 5,394,291</u>	<u>5,335,062</u>	<u>1.11%</u>	<u>3,683,577</u>	<u>3,737,194</u>	<u>-1.43%</u>

- The cost financed by users of the District's programs was \$924,560.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$786,154.
- The net cost of governmental activities was financed with \$1,680,852 in property taxes, \$286,047 in local option sales tax services, and \$1,996,316 in unrestricted state grants, \$94,207 in investment earnings and other general revenues of \$58,575.

#### **Business-Type Activities**

Revenues of the District's business-type activities were \$293,837 and expenses were \$298,052. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, the Edgewood-Colesburg Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$978,979, compared to last year's ending fund balances of \$920,379.

#### **Governmental Fund Highlights**

- The District's General Fund financial position is the product of many factors. An increase in revenues was enough to offset the increase in expenditures which ensured the General Fund balance to increase.
- The Capital Projects Fund balance decreased from \$179,526 in fiscal 2007 to a balance of \$117,230 for fiscal 2008. This decrease is primarily due to the District transferring \$116,285 to the Debt Service Fund for debt relief.

#### **Proprietary Fund Highlights**

The School Nutrition Fund net assets decreased from \$81,864 at June 30, 2007 to \$77,649 at June 30, 2008, representing a decrease of approximately 5.15%.

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## BUDGETARY HIGHLIGHTS

The District's receipts were \$206,289 more than budgeted receipts, a variance of 3.49%. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2008, the District had invested \$5,189,067, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$270,365.

The original cost of the District's capital assets was \$7,842,655. Governmental funds account for \$7,707,889 with the remainder of \$134,766 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements increased from \$331,238 at June 30, 2007 to \$388,903 at June 30, 2008. The increase is due to the District's renovation of the baseball diamond that was made during the year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 16,772	16,772	0	0	16,772	16,772	0.00%
Buildings	4,469,081	4,472,238	0	0	4,469,081	4,472,238	-0.07%
Land improvements	388,903	331,238	0	0	388,903	331,238	17.41%
Machinery and equipment	293,133	304,538	21,178	25,905	314,311	330,443	-4.88%
Total	\$ 5,167,889	5,124,786	21,178	25,905	5,189,067	5,150,691	0.75%

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## Long-Term Debt

At June 30, 2008, the District had \$2,694,381 in general obligation and other long-term debt outstanding. This represents a decrease of 10.61% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 2,605,000	2,875,000	-9.39%
Revenue bonds	12,569	18,854	-33.34%
Computer loan	0	14,607	-100.00%
Early retirement	76,812	105,838	-27.42%
Totals	\$ 2,694,381	3,014,299	-10.61%

## FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The budget guarantee, (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period beginning in fiscal year 2005.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Martha Romig, Board Secretary, Edgewood-Colesburg Community School District, 403 W. Union St., P.O. Box 315, Edgewood, Iowa, 52042.

BASIC FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents:			
ISCAP (Note 4)	\$ 1,524,428	0	1,524,428
Other	1,131,664	32,393	1,164,057
Receivables:			
Property tax:			
Delinquent	27,013	0	27,013
Succeeding year	1,599,636	0	1,599,636
Income surtax	109,370	0	109,370
Accounts	6,363	2,197	8,560
Accrued ISCAP interest (Note 4)	9,166	0	9,166
Due from other governments	200,849	0	200,849
Inventories	0	22,309	22,309
Capital assets, net of accumulated depreciation (Note 5)	5,167,889	21,178	5,189,067
<b>Total Assets</b>	<b>9,776,378</b>	<b>78,077</b>	<b>9,854,455</b>
<b>Liabilities</b>			
Accounts payable	24,797	0	24,797
Salaries and benefits payable	351,714	0	351,714
ISCAP warrants payable (Note 4)	1,515,000	0	1,515,000
ISCAP accrued interest payable (Note 4)	9,982	0	9,982
ISCAP unamortized premium	19,011	0	19,011
Accrued interest payable	8,082	0	8,082
Deferred revenue:			
Succeeding year property tax	1,599,636	0	1,599,636
Unearned revenue	0	428	428
Long-term liabilities (Note 6):			
Portion due within one year:			
General obligation bonds	290,000	0	290,000
Revenue bonds	6,285	0	6,285
Early Retirement	20,000	0	20,000
Portion due after one year:			
General obligation bonds	2,315,000	0	2,315,000
Revenue bonds	6,285	0	6,285
Early Retirement	56,812	0	56,812
<b>Total Liabilities</b>	<b>6,222,604</b>	<b>428</b>	<b>6,223,032</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	2,550,320	21,178	2,571,498
Beginning teacher mentoring	1,141	0	1,141
Market factor	4,054	0	4,054
Market factor incentives	2,960	0	2,960
Debt service	6,102	0	6,102
Capital projects	117,230	0	117,230
Physical plant and equipment levy	21,567	0	21,567
Other special revenue	104,343	0	104,343
Unrestricted	746,057	56,471	802,528
<b>Total Net Assets</b>	<b>\$ 3,553,774</b>	<b>77,649</b>	<b>3,631,423</b>

SEE NOTES TO FINANCIAL STATEMENTS



EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Instruction:							
Regular instruction	\$ 2,070,207	619,157	567,526	0	(883,524)	0	(883,524)
Special instruction	517,226	87,554	27,800	0	(401,872)	0	(401,872)
Other instruction	654,481	217,849	14,982	0	(421,650)	0	(421,650)
	3,241,914	924,560	610,308	0	(1,707,046)	0	(1,707,046)
Support services:							
Student services	124,370	0	0	0	(124,370)	0	(124,370)
Instructional staff services	133,416	0	0	0	(133,416)	0	(133,416)
Administration services	613,560	0	0	0	(613,560)	0	(613,560)
Operation and maintenance of plant services	479,300	0	0	2,850	(476,450)	0	(476,450)
Transportation services	364,364	0	0	0	(364,364)	0	(364,364)
	1,715,010	0	0	2,850	(1,712,160)	0	(1,712,160)
Other expenditures:							
Long-term debt interest	108,098	0	0	0	(108,098)	0	(108,098)
AEA flowthrough	172,996	0	172,996	0	0	0	0
Depreciation(unallocated)*	156,273	0	0	0	(156,273)	0	(156,273)
	437,367	0	172,996	0	(264,371)	0	(264,371)
Total governmental activities	5,394,291	924,560	783,304	2,850	(3,683,577)	0	(3,683,577)
Business-Type activities:							
Support services:							
Operation and maintenance of plant services	46	0	0	0	0	(46)	(46)
Non-instructional programs:							
Nutrition services	298,006	169,966	123,469	0	0	(4,571)	(4,571)
Total business-type activities	298,052	169,966	123,469	0	0	(4,617)	(4,617)
Total	\$ 5,692,343	1,094,526	906,773	2,850	(3,683,577)	(4,617)	(3,688,194)
General Revenues:							
Local tax for:							
General purposes				\$ 1,373,814	0	1,373,814	
Debt service				269,265	0	269,265	
Capital outlay				37,773	0	37,773	
Local option sales and services				286,047	0	286,047	
Unrestricted state grants				1,996,316	0	1,996,316	
Unrestricted investment earnings				94,207	402	94,609	
Other				58,575	0	58,575	
Total general revenues				4,115,997	402	4,116,399	
Changes in net assets				432,420	(4,215)	428,205	
Net assets beginning of year				3,121,354	81,864	3,203,218	
Net assets end of year				\$ 3,553,774	77,649	3,631,423	

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	General	Other Nonmajor Governmental Funds	Total
<b>Assets</b>			
Cash and pooled investments:			
ISCAP(Note 4)	\$ 1,524,428	0	1,524,428
Other	967,104	164,560	1,131,664
Receivables:			
Property tax:			
Delinquent	20,055	6,958	27,013
Succeeding year	1,171,168	428,468	1,599,636
Income surtax	109,370	0	109,370
Accounts	6,363	0	6,363
Accrued ISCAP interest(Note 4)	9,166	0	9,166
Due from other governments	121,240	79,609	200,849
<b>Total Assets</b>	<b>\$ 3,928,894</b>	<b>679,595</b>	<b>4,608,489</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	24,797	0	24,797
Salaries and benefits payable	351,714	0	351,714
ISCAP warrants payable(Note 4)	1,515,000	0	1,515,000
ISCAP accrued interest payable(Note 4)	9,982	0	9,982
ISCAP unamortized premium	19,011	0	19,011
Deferred revenue:			
Succeeding year property tax	1,171,168	428,468	1,599,636
Income surtax	109,370	0	109,370
Total liabilities	3,201,042	428,468	3,629,510
Fund balances:			
Reserved for:			
Debt Service	0	6,102	6,102
Beginning teacher mentoring	1,141	0	1,141
Market factor	4,054	0	4,054
Market factor incentives	2,960	0	2,960
Unreserved:			
Designation for special purposes	7,738	0	7,738
Undesignated	711,959	245,025	956,984
Total fund balances	727,852	251,127	978,979
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,928,894</b>	<b>679,595</b>	<b>4,608,489</b>

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008

Total fund balances of governmental funds (page 15)	\$ 978,979
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,167,889
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(8,083)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	109,370
Long-term liabilities, including bonds and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,694,381)</u>
Net assets of governmental activities (page 13)	<u>\$ 3,553,774</u>

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	General	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>			
Local sources:			
Local tax	\$ 1,263,141	695,219	1,958,360
Tuition	706,711	0	706,711
Other	160,558	227,905	388,463
State sources	2,494,805	0	2,494,805
Federal sources	269,833	0	269,833
Total revenues	4,895,048	923,124	5,818,172
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular instruction	2,067,713	32,487	2,100,200
Special instruction	517,226	0	517,226
Other instruction	447,685	206,796	654,481
	3,032,624	239,283	3,271,907
Support services:			
Student services	124,370	0	124,370
Instructional staff services	136,115	0	136,115
Administration services	611,570	1,463	613,033
Operation and maintenance of plant services	380,190	220,463	600,653
Transportation services	334,133	17,233	351,366
	1,586,378	239,159	1,825,537
Other expenditures:			
Facilities acquisitions	0	87,882	87,882
Long-term debt:			
Principal	0	290,892	290,892
Interest	0	110,358	110,358
AEA flowthrough	172,996	0	172,996
	172,996	489,132	662,128
Total expenditures	4,791,998	967,574	5,759,572
Excess (Deficiency) of revenues over(under) expenditures	103,050	(44,450)	58,600
Other financing sources(uses):			
Transfers in	0	132,385	132,385
Transfers out	0	(132,385)	(132,385)
Total other financing sources(uses)	0	0	0
Net change in fund balances	103,050	(44,450)	58,600
Fund balance beginning of year	624,802	295,577	920,379
Fund balance end of year	\$ 727,852	251,127	978,979

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 17) \$ 58,600

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 308,741	
Depreciation expense	(265,638)	43,103

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows:

290,892

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

2,260

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.

8,539

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in the governmental funds, as follows:

Early Retirement		29,026
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Changes in net assets of governmental activities (page 14)

\$ 432,420

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2008

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and pooled investments	\$ 32,393
Accounts receivable	1,647
Due from other governments	550
Inventories	22,309
Capital assets, net of accumulated depreciation (Note 5)	<u>21,178</u>
<b>Total Assets</b>	<u>78,077</u>
<b>Liabilities</b>	
Unearned revenue	<u>428</u>
<b>Net Assets</b>	
Invested in capital assets	21,178
Unrestricted	<u>56,471</u>
<b>Total Net Assets</b>	<u><u>\$ 77,649</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ 164,667
Other local revenue	5,299
Total operating revenue	<u>169,966</u>
Operating expenses:	
Support services:	
Operation and maintenance of plant services:	
Supplies	<u>46</u>
Non-instructional programs:	
Food service operations:	
Salaries	97,800
Benefits	14,333
Services	11
Supplies	180,834
Other	301
Depreciation	<u>4,727</u>
	<u>298,006</u>
Total operating expenses	<u>298,052</u>
Operating loss	<u>(128,086)</u>
Non-operating revenues:	
State sources	3,135
Federal sources	120,334
Interest income	402
Total non-operating revenues	<u>123,871</u>
Change in net assets	(4,215)
Net assets beginning of year	<u>81,864</u>
Net assets end of year	<u><u>\$ 77,649</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 165,095
Cash received from miscellaneous operating activities	5,299
Cash payments to employees for services	(112,133)
Cash payments to suppliers for goods or services	(142,995)
Net cash used in operating activities	<u>(84,734)</u>
Cash flows from non-capital financing activities:	
Repayments to the General Fund	(21,050)
State grants received	3,135
Federal grants received	102,159
Net cash provided by non-capital financing activities	<u>84,244</u>
Cash flows from investing activities:	
Interest on investments	<u>402</u>
Net decrease in cash and cash equivalents	(88)
Cash and cash equivalents at beginning of year	<u>32,481</u>
Cash and cash equivalents at end of year	<u><u>\$ 32,393</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (128,086)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	17,625
Depreciation	4,727
Decrease in inventories	20,572
Increase in unearned revenue	428
Net cash used in operating activities	<u><u>\$ (84,734)</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u><u>\$ 32,393</u></u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$17,625.



EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 JUNE 30, 2008

	Private Purpose Trust Scholarship
<b>Assets</b>	
Cash and pooled investments	\$ 25,933
<b>Liabilities</b>	0
<b>Net assets</b>	
Restricted for scholarships	16,066
Unrestricted	9,867
<b>Total Net assets</b>	<u>\$ 25,933</u>

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2008

		<u>Private Purpose</u>
		<u>Trust</u>
		<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and Contributions	\$	10,500
Interest Income		920
Total additions		<u>11,420</u>
Deductions:		
Scholarships awarded		<u>1,634</u>
Change in net assets		9,786
Net assets beginning of year		<u>16,147</u>
Net assets end of year	\$	<u><u>25,933</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**(1) Summary of Significant Accounting Policies**

The Edgewood-Colesburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Edgewood and Colesburg, Iowa, and the predominate agricultural territory in Delaware and Clayton Counties. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Edgewood-Colesburg Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Edgewood-Colesburg Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Delaware and Clayton Counties Assessors' Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus". The Government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating

revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits in bank at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 558,906</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) **Transfers**

The detail of transfers for the year ended June 30, 2008 is as follows:



Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 116,285
	Special Revenue,	
	Physical Plant and	
Debt Service	Equipment Levy	<u>16,100</u>
Total		<u>\$ 132,385</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

The Capital Projects Fund is transferring funds to the Debt Service Fund for the payment on the Revenue Bonds.

The Special Revenue, Physical Plant and Equipment Levy Fund is transferring funds to the Debt Service Fund for the payment of its lease.

**(4) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2007-08B	1/23/08	1/23/09	\$ 592,897	8,813	591,000	9,628
2008-09A	6/26/08	6/25/09	931,531	353	924,000	354
			<u>\$ 1,524,428</u>	<u>9,166</u>	<u>1,515,000</u>	<u>9,982</u>

The district pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the district must repay the outstanding withdrawal from its General Fund receipts. In addition, the district must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2007-08B	\$ 0	100,000	100,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	4.500%	5.448%
2007-08B	3.750%	3.451%
2008-09A	3.500%	3.469%

##### (5) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 16,772	0	0	16,772
Total capital assets not being depreciated	16,772	0	0	16,772
Capital assets being depreciated:				
Buildings	5,980,491	129,181	0	6,109,672
Land improvements	397,089	81,600	0	478,689
Machinery and equipment	1,053,302	97,960	48,506	1,102,756
Total capital assets being depreciated	7,430,882	308,741	48,506	7,691,117
Less accumulated depreciation for:				
Buildings	1,508,253	132,338	0	1,640,591
Land improvements	65,851	23,935	0	89,786
Machinery and equipment	748,764	109,365	48,506	809,623
Total accumulated depreciation	2,322,868	265,638	48,506	2,540,000
Total capital assets being depreciated, net	5,108,014	43,103	0	5,151,117
Governmental activities capital assets, net	\$ 5,124,786	43,103	0	5,167,889

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 134,766	0	0	134,766
Less accumulated depreciation	108,861	4,727	0	113,588
Business-type activities capital assets, net	\$ 25,905	(4,727)	0	21,178

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular instruction		\$ 29,568
Support services:		
Administration		9,885
Operation and maintenance of plant		4,346
Transportation		65,566
Unallocated depreciation		156,273
Total governmental activities depreciation expense		\$ 265,638
Business-type activities:		
Food services		\$ 4,727

#### (6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 2,875,000	0	270,000	2,605,000	290,000
Revenue bonds	18,854	0	6,285	12,569	6,285
Computer loan	14,607	0	14,607	0	0
Early retirement	105,838	0	29,026	76,812	20,000
Total	\$ 3,014,299	0	319,918	2,694,381	316,285

### General Obligation Bonds

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2001			Bond Issue of May 1, 2003			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2009	4.20 %	\$ 290,000	14,115	- %		82,880	\$ 290,000	96,995	386,995
2010	4.30	45,000	1,935	3.50	170,000	82,880	215,000	84,815	299,815
2011				3.50	225,000	76,930	225,000	76,930	301,930
2012				3.50	235,000	69,055	235,000	69,055	304,055
2013				3.50	245,000	60,830	245,000	60,830	305,830
2014				3.65	255,000	52,255	255,000	52,255	307,255
2015				3.65	265,000	42,948	265,000	42,948	307,948
2016				3.70	280,000	33,275	280,000	33,275	313,275
2017				3.80	290,000	22,915	290,000	22,915	312,915
2018				3.90	305,000	11,895	305,000	11,895	316,895
Total		\$ 335,000	16,050		\$ 2,270,000	535,863	\$ 2,605,000	551,913	3,156,913

### Revenue Bonds

Details of the District's revenue bond indebtedness as of the end of the fiscal year are as follows:

Year Ending June 30,	Bond Issue of June 1, 2005			
	Interest Rates	Principal	Interest	Total
2009	4.281 %	\$ 6,285	538	6,823
2010	4.281	6,284	269	6,553
Total		\$ 12,569	807	13,376

The District has pledged future local option sales and services tax revenues to repay the \$31,424 bonds issued on June 1, 2005. The bonds were issued for the purpose of financing a portion of the costs of the playground surfacing project. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2010. The bonds are not a general obligation of the District. However, the debt is subject to the constitution debt limitation of the District. The interest is paid by an outside organization. Annual principal payments on the bonds are expected to require nearly 2.20 percent of the local option sales and services tax revenues. The total principal remaining to be paid on the bonds is \$12,569. For the current year, the principal was paid on the bonds was \$6,285 and total local option sales and services tax revenues were \$286,047.

### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an

application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to a \$30 per day of unused sick leave and subject to a maximum of \$4,000 per individual per year. Early retirement benefits paid during the year ended June 30, 2008, totaled \$29,026.

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$181,187, \$168,137, and \$156,952 respectively, equal to the required contributions for each year.

**(8) Risk Management**

Edgewood-Colesburg Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$172,996 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPEDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2008

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 3,053,534	170,368	3,223,902	3,114,692	3,114,692	109,210
State sources	2,494,805	3,135	2,497,940	2,485,028	2,485,028	12,912
Federal sources	269,833	120,334	390,167	306,000	306,000	84,167
Total revenues	5,818,172	293,837	6,112,009	5,905,720	5,905,720	206,289
Expenditures:						
Instruction	3,271,907	0	3,271,907	3,597,200	3,597,200	325,293
Support services	1,825,537	46	1,825,583	1,874,845	1,874,845	49,262
Non-instructional programs	0	298,006	298,006	300,450	300,450	2,444
Other expenditures	662,128	0	662,128	664,404	664,404	2,276
Total expenditures	5,759,572	298,052	6,057,624	6,436,899	6,436,899	379,275
Excess(deficiency) of revenues over(under) expenditures	58,600	(4,215)	54,385	(531,179)	(531,179)	585,564
Balance beginning of year	920,379	81,864	1,002,243	918,159	918,159	84,084
Balance end of year	\$ 978,979	77,649	1,056,628	386,980	386,980	669,648

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private-Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.



OTHER SUPPLEMENTARY INFORMATION

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2008

	Special Revenue Funds						Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
<b>Assets</b>							
Cash and pooled investments	\$ 102	104,343	20,930	125,375	37,621	1,564	164,560
Receivables:							
Property tax:							
Current year delinquent	1,783	0	637	2,420	0	4,538	6,958
Succeeding year	115,000	0	38,468	153,468	0	275,000	428,468
Due from other governments	0	0	0	0	79,609	0	79,609
<b>Total Assets</b>	<b>\$ 116,885</b>	<b>104,343</b>	<b>60,035</b>	<b>281,263</b>	<b>117,230</b>	<b>281,102</b>	<b>679,595</b>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Deferred revenue:							
Succeeding year property tax	\$ 115,000	0	38,468	153,468	0	275,000	428,468
Fund balances:							
Reserved:							
Debt service	0	0	0	0	0	6,102	6,102
Unreserved	1,885	104,343	21,567	127,795	117,230	0	245,025
Total fund balances	1,885	104,343	21,567	127,795	117,230	6,102	251,127
<b>Total Liabilities and Fund Balances</b>	<b>\$ 116,885</b>	<b>104,343</b>	<b>60,035</b>	<b>281,263</b>	<b>117,230</b>	<b>281,102</b>	<b>679,595</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds						Total
	Manage-		Physical	Total			Other
	ment	Student	Plant and	Special	Capital	Debt	Nonmajor
	Levy	Activity	Equipment	Revenue	Projects	Service	Governmental
			Levy				Funds
REVENUES:							
Local sources:							
Local tax	\$ 102,134	0	37,773	139,907	286,047	269,265	695,219
Other	95	204,814	2,788	207,697	19,876	332	227,905
TOTAL REVENUES	102,229	204,814	40,561	347,604	305,923	269,597	923,124
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	32,487	0	0	32,487	0	0	32,487
Other instruction	0	206,796	0	206,796	0	0	206,796
Support services:							
Administration services	1,454	0	9	1,463	0	0	1,463
Operation and maintenance							
of plant services	56,411	0	0	56,411	164,052	0	220,463
Student transportation	17,233	0	0	17,233	0	0	17,233
Other expenditures:							
Facilities acquisitions	0	0	0	0	87,882	0	87,882
Long-term debt:							
Principal	0	0	0	0	0	290,892	290,892
Interest	0	0	0	0	0	110,358	110,358
TOTAL EXPENDITURES	107,585	206,796	9	314,390	251,934	401,250	967,574
EXCESS (DEFICIENCY) OF REVENUES							
OVER (UNDER) EXPENDITURES	(5,356)	(1,982)	40,552	33,214	53,989	(131,653)	(44,450)
OTHER FINANCING SOURCES (USES):							
Transfers in	0	0	0	0	0	132,385	132,385
Transfers out	0	0	(16,100)	(16,100)	(116,285)	0	(132,385)
Total other financing sources (uses)	0	0	(16,100)	(16,100)	(116,285)	132,385	0
NET CHANGE IN FUND BALANCES	(5,356)	(1,982)	24,452	17,114	(62,296)	732	(44,450)
FUND BALANCE BEGINNING OF YEAR	7,241	106,325	(2,885)	110,681	179,526	5,370	295,577
FUND BALANCE END OF YEAR	\$ 1,885	104,343	21,567	127,795	117,230	6,102	251,127

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Athletic Supplies	\$ 52	2,538	2,590	0
Band student purchase	(87)	548	461	0
Band Resale	(246)	1,201	953	2
Band Fundraising	676	0	0	676
Cheerleading	395	717	1,103	9
Track	227	10,560	10,787	0
Cross Country	0	1,251	1,052	199
Golf	25	397	405	17
Boys Basketball	2,812	4,407	3,029	4,190
Boys Basketball Fundraising	913	140	1,053	0
Football	5,677	9,358	4,330	10,705
Baseball	229	3,046	3,275	0
Wrestling	375	1,680	2,055	0
Wrestling fundraiser	10	0	0	10
Girls Basketball	3,483	5,766	3,830	5,419
Volleyball Fundraiser	4,857	3,621	5,983	2,495
Volleyball	192	2,901	2,550	543
Softball	693	3,519	4,211	1
Softball Fundraising	3,648	3,899	7,027	520
Athletics General	177	1,404	1,269	312
Friends of the Arts	6,662	4,366	3,638	7,390
ED-CO Partners	1,571	4,114	3,955	1,730
Drama	731	3,216	3,514	433
Post Prom	2,359	17,404	17,590	2,173
Envir. First Grant/FFA	1,649	0	0	1,649
FFA	4,522	23,596	24,367	3,751
Spanish Club	1,539	0	0	1,539
FFA CD	2,399	87	0	2,486
HS Student Council	1,194	1,286	731	1,749
Class of 2008	3,410	0	3,410	0
Class of 2009	6,119	0	2,909	3,210
Class of 2010	4,553	0	115	4,438
Class of 2011	4,689	0	116	4,573
Class of 2012	3,868	7,357	7,792	3,433
Class of 2013	0	6,772	3,579	3,193
Class of 2014	0	1,590	1,590	0
JH Student Council	245	563	605	203
Yearbook	19,675	17,544	14,936	22,283
F.B.L.A.	3,183	10,607	12,684	1,106
HS Supplies	1,170	1,353	1,286	1,237
Elem. Activities	4,219	13,870	13,352	4,737
Concessions	2,282	10,049	10,452	1,879
Perrinjaquet Assistance	4,289	90	0	4,379
Elem. Fundraising	0	23,884	23,884	0
HS Art Club	304	24	328	0
Elem. Perrinjaquet Asst.	1,585	89	0	1,674
Total	\$ 106,325	204,814	206,796	104,343

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 JUNE 30, 2008

	Private Purpose Trust - Scholarship Fund					
	Carl Lewis Scholarship	High School Scholarship	Gull Memorial	Fannon Memorial Scholarship	James L. Kinyon Scholarship	Total
<b>ASSETS</b>						
Cash and pooled investments	\$ 5,154	3,081	6,066	1,631	10,001	25,933
<b>LIABILITIES</b>	0	0	0	0	0	0
<b>NET ASSETS</b>						
Reserved for scholarships	0	0	0	0	10,000	10,000
Unrestricted	5,154	3,081	6,066	1,631	1	15,933
Total net assets	\$ 5,154	3,081	6,066	1,631	10,001	25,933

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 YEAR ENDED JUNE 30, 2008

	Private Purpose Trust - Scholarship Fund					
	Carl Lewis Scholarship	High School Scholarship	Gull Memorial	Fannon Memorial Scholarship	James L. Kinyon Scholarship	Total
Additions:						
Local sources:						
Gifts and contributions	\$ 0	500	0	0	10,000	10,500
Interest income	203	144	0	72	501	920
	203	644	0	72	10,501	11,420
Deductions:						
Instruction:						
Regular instruction:						
Scholarships awarded	184	750	0	200	500	1,634
Changes in net assets	19	(106)	0	(128)	10,001	9,786
Net assets beginning of year	5,135	3,187	6,066	1,759	0	16,147
Net assets end of year	\$ 5,154	3,081	6,066	1,631	10,001	25,933

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 1,958,360	1,938,919	1,813,901	1,913,747	1,783,513
Tuition	706,711	728,093	586,667	502,505	478,385
Other	388,463	367,519	381,038	308,499	319,185
State sources	2,494,805	2,363,543	2,237,613	2,096,722	2,133,576
Federal sources	269,833	229,470	293,486	300,814	222,504
Total	\$ 5,818,172	5,627,544	5,312,705	5,122,287	4,937,163
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 2,100,200	2,149,016	1,995,453	1,847,168	1,727,156
Special instruction	517,226	629,351	624,870	615,222	589,104
Other instruction	654,481	528,264	494,560	500,319	414,213
Support services:					
Student services	124,370	121,225	126,475	142,973	110,208
Instructional staff services	136,115	116,857	176,521	93,179	131,528
Administration services	613,033	572,646	557,427	525,863	676,436
Operation and maintenance of plant services	600,653	550,263	458,005	341,650	433,954
Transportation services	351,366	356,250	316,373	241,271	273,619
Non-instructional programs	0	0	0	1,000	2,942
Other expenditures:					
Facilities acquisitions	87,882	77,862	92,269	162,094	2,116,448
Long-term debt:					
Principal	290,892	269,538	236,285	235,000	215,000
Interest	110,358	121,721	127,265	137,171	152,210
AEA flow-through	172,996	168,497	162,305	161,081	164,446
Total	\$ 5,759,572	5,661,490	5,367,808	5,003,991	7,007,264

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
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Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of the  
Edgewood-Colesburg Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Edgewood-Colesburg Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 17, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Edgewood-Colesburg Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Edgewood-Colesburg Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Edgewood-Colesburg Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Edgewood-Colesburg Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Edgewood-Colesburg Community School District's financial statements that is more than inconsequential will not be prevented or detected by Edgewood-Colesburg Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Edgewood-Colesburg Community School District's internal control.



Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Edgewood-Colesburg Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Edgewood-Colesburg Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Edgewood-Colesburg Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Edgewood-Colesburg Community School District and other parties to whom Edgewood-Colesburg Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Edgewood-Colesburg Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 17, 2009

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-08 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

- I-B-08 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Per Chapter 9 of the LEA Financial Accounting Manual, "The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the co-curricular program defined in department of education administrative rules (298A.8)." Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the co-curricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific example of these instances of questioned items and recommendations are as follows:

Currently, donations from Target and Box Tops are recorded in the Elementary account in the Student Activity Fund. Target and Box Top donations are considered an undesignated donation; therefore, they should be receipted into the General Fund for use as determined by the District's Board of Directors. The designation should be noted annually in the District's board minutes.

Response -All donations from Target and Box Tops will be deposited in the General Fund and The Board of Directors will decide how to spend the money.

Conclusion - Response accepted.

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting

- II-A-08 Certified Budget - District disbursements for the year ended June 30, 2008 did not exceed the amount budgeted.
- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-08 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Randy Mescher, Board Member Owner of Edgewood Building Center	Supplies	\$558

In accordance with Chapter 279.7A of the Code of Iowa, the above transaction with the Board Member does not represent a conflict of interest.

- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-J-08 Signing of Officiating Contracts - We noted during our audit that the Board President was not signing athletic officiating contracts for the District. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts the District enters into, to comply with Chapter 291.1 of the Code of Iowa.

Response - We have already implemented the Board President signing all athletic officiating contracts.

Conclusion - Response accepted.